Review of increase in interest rate for housing loans

†3980 SHRIMATI MAYA SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India has reviewed the increase in interest rate for housing loans and loans disbursed in other sectors and whether Government are considering to issue fresh guidelines to the banks; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) As per extant guidelines of Reserve Bank of India, the commercial banks are free to determine the lending rate of interest taking into account the cost of funds and risk element involved. However, the interest rate on loans by commercial banks upto Rs. 2 lakh should not exceed the Benchmark Prime Lending Rate (BPLR).

Full capital account convertibility

3981. SHRI SITARAM YECHURY: Will the Minister of FINANCE be pleased to state:

(a) whether a committee has been set up by RBI to prepare a road map for full capital account convertibility;

(b) if so, what are the terms of reference and deadline to submit the report;

(c) what are the reasons for not implementing the Tarapore Committee Report, 1997 recommendations; and

(d) whether it is a fact that the eminent economists Jagdish Bhagawati argued that India and China escaped the Asian financial crisis only because they did not have the capital account convertibility?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Reserve Bank of India (RBI) has constituted a committee under the chairmanship of Shri S.S. Tarapore for setting out a roadmap for moving towards fuller capital account convertibility. The terms of reference of the Committee are:

† Original notice of the question was received in Hindi.

(i) Review the experience of various measures of capital account liberalization in India.

(ii) Examine implications of fuller capital account convertibility on monetary and exchange rate management, financial markets and financial system.

(iii) Study the implications of dollarisation in India of domestic assets and liabilities and internationalization of the Indian rupee.

(iv) Provide a comprehensive medium-term operational framework with sequencing and timing for fuller capital account convertibility taking into account the above implications and progress in fiscal and revenue deficits of both Centre and States.

(v) Survey the regulatory framework in countries which have advanced towards fuller capital account convertibility.

(vi) suggest appropriate policy measures and prudential safeguards to ensure monetary and financial stability.

(vii) To make such other recommendations as the Committee may deem relevant to the subject.

The Committee has commenced work from May 1, 2006 and is expected to submit its report by July 31, 2006 to RBI.

(c) The Tarapore Committee set up in 1997 had recommended a sequenced move towards capital account convertibility subject to attainment of certain minimum macro-economic pre-conditions/sign-posts. While some of these pre-conditions have been achieved, some are yet to be attained.

(d) In his testimony to the Subcommittee on Domestic and International Monetary Policy, Trade and Technology, of the US House of Representatives' Committee on Financial Services, in April 2003, Professor Jagdish Bhagwati had stated: 'It is noteworthy that both India and China escaped the Asian financial crisis; they did not have capital account convertibility."